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E.O. 11652: GDS
TAGS: EINV, EMIN, GY
SUBJ: REYNOLDS NEGOTIATION

REF: A. GEORGETOWN 1549; B. GEORGETOWN 1554

1. WE DISCUSSED SUBSTANCE OF REFTELS WITH REYNOLDS GENERAL COUNSEL SIKOROVSKY AFTERNOON AUG 29 AND SOUGHT COMPANY'S REACTION TO GOG PROPOSAL TO NEGOTIATE COMPENSATION FOR NATIONALIZATION OF REYNOLDS. SIKOROVSKY SAID HE HAD NOT YET CHECKED WITH ALL COMPANY OFFICERS INVOLVED IN THE MATTER, BUT ON A PRELIMINARY BASIS THE PROPOSAL PRESENTS SOME PROBLEMS THAT THE COMPANY MUST THINK ABOUT CAREFULLY. HE DOES NOT SEE WHY THE GOG EXPECTS REYNOLDS TO AGREE BOTH TO GUYANA'S POSITION ON THE PRODUCTION LEVY AND TO NATIONALIZATION BY DECEMBER 31, 1974, NOR WHY THE GOG WOULD AGREE TO A MORE GENEROUS SETTLEMENT NOW THAN AFTER ACT OF NATIONALIZATION. THE ALCAN FORMULA, HE ADDED, IS QUITE UNATTRACTIVE. MORE TO THE POINT,
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SIKOROVSKY SAID THE COMPANY IS CONCERNED THAT AN

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APPARENT WILLINGNESS TO NEGOTIATE LOSS OF ITS PROPERTY IN GUYANA COULD AFFECT NEGOTIATIONS IN JAMAICA AND ELSEWHERE. FROM THAT STANDPOINT, HE SAID COMPANY MAY PREFER TO LET AX FALL AND THEN TALK ABOUT COMPENSATION.

2. WE RESPONDED THAT A UNILATERAL GOG ACTION COULD VERY WELL SET A BASIS FOR COMPENSATION WHICH WOULD THEN BE POLITICALLY INFLEXIBLE. WE NOTED GOG HAD MOVED SOMEWHAT AND FURTHER TALKS WOULD SEEM REQUIRED TO DETERMINE EXTENT OF POSSIBLE FURTHER FLEXIBILITY. EVEN IF DEC 31 IS INFLEXIBLE DEADLINE ON NATIONALIZATION, THEREFORE, FURTHER NEGOTIATION WOULD APPEAR DESIRABLE TO IMPROVE PROSPECTS ON COMPENSATION AND TO HOLD OFF 74 TAX ACTION AS LONG AS POSSIBLE.

3. SIKOROVSKY SAID THIS IS THE FIRST TIME THE GOG HAS TOLD REYNOLDS IT EXPECTS TO NATIONALIZE, AND THE COMPANY NEEDS TIME TO CONSIDER THE MATTER. IF IT AGREES TO TALKS WITH GOG, THEREFORE, REYNOLDS MAY WANT TO ISSUE STATEMENT ON THEIR PURPOSE. NOTING THAT WAGNER HAD ALREADY TOLD JACK THAT REYNOLDS TEAM COULD NOT BE ASSEMBLED BY SEPT 2, SIKOROVSKY PROMISED TO LET DEPT KNOW DURING WEEK OF SEPT 2 WHEN IT WOULD RESPOND TO GOG INVITATION.

4. OPIC CONCURS WITH THE SUGGESTION THAT A REPRESENTATIVE, PROBABLY CECIL HUNT, BE PRESENT IN GEORGETOWN DURING NEGOTIATIONS AND A DAY OR SO EARLIER IF POSSIBLE. HUNT'S TRAVEL PLANS WILL DEPEND ON THOSE OF THE REYNOLDS TEAM.

5. HUNT ALSO SPOKE WITH SIKOROVSKY EARLIER IN THE DAY AND RECEIVED ESSENTIALLY THE SAME MESSAGE, THAT REYNOLDS WAS SERIOUSLY WEIGHING THE POSSIBILITY OF RESPONDING NEGATIVELY TO THE GOG INVITATION. ACCORDINGLY, ACTING PRESIDENT OF OPIC SENT A LETTER TO RICHARD REYNOLDS AUG 29 EXPRESSING OPIC CONCERN THAT THERE MAY BE IMPORTANT DIFFERENCES BETWEEN REYNOLDS AND OPIC AS TO WHERE EFFORTS TO DETER NATIONALIZATION MUST GIVE WAY TO EFFORTS TO MAXIMIZE COMPENSATION. OPIC OBSERVED IN THE LETTER THAT THE INDICATED GOG TERMS FOR COMPENSATION MAY BE NO MORE FINAL THAN THE ORIGINAL GOG DEMAND FOR INCREASED REVENUE
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AND STATED THAT INACTION BY REYNOLDS WOULD BE DIFFICULT TO RECONCILE WITH THE COMPANY'S OBLIGATIONS UNDER ITS EXPROPRIATION INSURANCE WITH RESPECT TO THE SUBROGATION RIGHTS OF OPIC.

6. WE WILL INFORM YOU AS SOON AS WE HAVE FIRM INFORMATION REGARDING ARRIVAL OF A NEGOTIATING TEAM. IN THE MEANTIME,

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IF ASKED BY GOG, SUGGEST YOU STRESS SCHEDULING PROBLEM
REYNOLDS FACES AND NEED FOR ITS OFFICERS TO HAVE SOME TIME
TO CONSIDER DIFFICULT DECISIONS ARISING FROM GOG PROPOSED

BASIS FOR NEGOTIATIONS. KISSINGER

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